



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WHITLEY COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael Patrick, Whitley County Judge/Executive

Honorable Tom Rains, Whitley County Clerk

Members of the Whitley County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Whitley County, Kentucky, as of December 31, 1998.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Berger & Ross, PLLC, evaluated the Whitley County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

EXECUTIVE SUMMARY

TOM RAINS WHITLEY COUNTY CLERK CALENDAR YEAR 1998 FEE AUDIT

On July 31, 2000, fieldwork was completed on the calendar year 1998 Whitley County Clerk's fee audit. An unqualified opinion was rendered on the financial statement

Receipts and Disbursements

The County Clerk collected and appropriately distributed \$6,198,775 for calendar year 1998.

Excess Fees:

The County Clerk paid \$156,340 to the fiscal court as 1998 excess fees.

Deposits:

The County Clerk's office bank deposits were insured or properly collateralized with bank assets during calendar year 1998.

**AUDIT EXAMINATION OF THE
WHITLEY COUNTY CLERK**

Calendar Year 1998

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To the People of Kentucky
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Whitley County Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated July 31, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", is written over a horizontal line.

BERGER & ROSS, PLLC

Audit fieldwork completed –
July 31, 2000

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants		\$	10,964
State Fees For Services			14,283
Fiscal Court			49,093
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	808,684	
Usage Tax		3,068,066	
Tangible Personal Property Tax		1,588,613	
Franchise Bank Deposit Tax		80,067	
Licenses			
Fish and Game		6,164	
Marriage		16,560	
Deed Transfer Tax		41,852	
Delinquent Taxes		<u>278,278</u>	5,888,284
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts	\$	18,852	
Real Estate Mortgages		21,372	
Chattel Mortgages and Financing Statements		106,165	
Powers of Attorney		2,244	
All Other Recordings		30,495	
Charges for Other Services-			
Candidate Filing Fees		3,470	
Copywork		<u>41,266</u>	223,864
Other:			
Miscellaneous			2,329
Interest Earned			<u>9,958</u>
Gross Receipts			\$6,198,775

The accompanying notes are an integral part of the financial statement.

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 591,151	
Usage Tax	2,972,637	
Tangible Personal Property Tax	657,723	
Licenses		
Fish and Game	4,573	
Delinquent Tax	45,896	
Legal Process Tax	27,923	
Marriage Licenses	6,504	
Candidate Filing Fees	<u>2,070</u>	\$ 4,308,477

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 109,284	
Delinquent Tax	35,265	
Deed Transfer Tax	39,759	
Franchise Bank Deposit Tax	80,067	264,375

Payments to Other districts:

Tangible Personal Property Tax	\$ 760,376	
Delinquent Tax	<u>112,705</u>	873,081

Payments to Sheriff		16,549
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Payments to County Attorney		55,878
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The accompanying notes are an integral part of the financial statement.

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries \$ 269,449

Contract Labor 1,225

Employee Benefits-

Employer's Share Retirement 23,441

Employer's Share Health Insurance 29,469

Contracted Services-

Advertising 4,335

Printing and Binding 1,000

Supplies and Materials-

Office Supplies 23,410

Equipment Rental and Maintenance 19,780

Other Charges-

Conventions and Travel 6,476

Dues 1,145

Postage 9,240

Branch Office Rent 3,816

Insurance Bonds 3,613

Election Expense 46,053

Returned Checks 3,215

State Grant Expenditures - Records Maintenance 10,964

Capital Outlay-

Office Equipment 15,118 \$ 471,749

Total Disbursements \$ 5,990,109

Net Receipts \$ 208,666

Less: Statutory Maximum 48,726

Excess Fees \$ 159,940

Less: Expense Allowance 3,600

Excess Fees Due County For Calendar Year 1998 \$ 156,340

Payments to County Treasurer - February 11, 1999 \$ 150,000

Payments to County Treasurer - July 31, 2000 6,340 156,340

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statements

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement system. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.22 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1998, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

WHITLEY COUNTY
TOM RAINS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$13,986 during the 1997 calendar year. The Clerk had a balance of \$10,899 on January 1, 1998 and the account earned \$65 of interest during the year. All funds were expended during calendar year 1998.

Note 5. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Michael Patrick, County Judge/Executive
Honorable Tom Rains, Whitley County Clerk
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government auditing Standards

We have audited the Whitley County Clerk as of December 31, 1998, and have issued our report thereon dated July 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Whitley County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Michael Patrick, County Judge/Executive
Honorable Tom Rains, Whitley County Clerk
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

BERGER & ROSS, PLLC

Audit Fieldwork completed –
July 31, 2000

